

## Fact Sheet for CBO's March 2006 Baseline: MEDICARE

By fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>MEDICARE TOTALS (in billions of dollars):</b>												
Mandatory Outlays /1	\$333.1	\$376.8	\$444.7	\$475.3	\$510.8	\$547.4	\$603.8	\$612.1	\$682.1	\$741.6	\$807.7	\$909.2
Discretionary Outlays	<u>3.7</u>	<u>4.8</u>	<u>5.1</u>	<u>5.3</u>	<u>5.5</u>	<u>5.8</u>	<u>6.0</u>	<u>6.3</u>	<u>6.7</u>	<u>7.0</u>	<u>7.4</u>	<u>7.8</u>
Total Outlays	336.9	381.6	449.8	480.6	516.3	553.1	609.8	618.4	688.7	748.6	815.0	916.9
Total Offsetting Receipts /2	-38.2	-50.1	-61.3	-66.8	-72.6	-79.0	-85.3	-91.1	-99.8	-110.8	-123.1	-138.3
Net Outlays (Total Outlays - Receipts)	298.6	331.5	388.4	413.8	443.7	474.2	524.5	527.3	588.9	637.8	692.0	778.6
Net Mandatory Outlays (Mandatory Outlays - Receipts) /3	294.9	326.8	383.4	408.5	438.2	468.4	518.5	521.0	582.2	630.8	684.6	770.9
<b>COMPONENTS OF MANDATORY OUTLAYS (in billions of dollars)</b>												
Benefits												
Part A	\$181.0	\$188.2	\$210.5	\$218.9	\$232.6	\$247.2	\$267.9	\$276.5	\$300.5	\$321.0	\$343.8	\$374.6
Part B	148.5	157.5	174.7	180.6	190.6	201.1	217.6	223.6	246.4	268.5	293.7	327.2
Part D /4	<u>1.1</u>	<u>29.1</u>	<u>57.8</u>	<u>74.1</u>	<u>85.8</u>	<u>97.3</u>	<u>116.5</u>	<u>110.2</u>	<u>133.4</u>	<u>150.2</u>	<u>168.3</u>	<u>205.5</u>
Total	330.7	374.7	443.0	473.6	509.0	545.6	602.0	610.3	680.2	739.7	805.8	907.3
Administration /5	2.5	2.1	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.9
Total Mandatory Outlays	333.1	376.8	444.7	475.3	510.8	547.4	603.8	612.1	682.1	741.6	807.7	909.2
<b>Annual Growth Rates:</b>												
Mandatory Outlays	12.1%	13.1%	18.0%	6.9%	7.5%	7.2%	10.3%	1.4%	11.4%	8.7%	8.9%	12.6%
Discretionary Outlays	<u>-13.7%</u>	<u>27.6%</u>	<u>6.1%</u>	<u>4.6%</u>	<u>4.2%</u>	<u>4.3%</u>	<u>4.6%</u>	<u>5.0%</u>	<u>5.4%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.3%</u>
Total Outlays	11.7%	13.3%	17.9%	6.9%	7.4%	7.1%	10.2%	1.4%	11.4%	8.7%	8.9%	12.5%
Total Premium Receipts	19.0%	30.9%	22.5%	8.9%	8.7%	8.8%	8.0%	6.8%	9.6%	11.0%	11.1%	12.4%
Net Outlays (Total Outlays - Receipts)	10.9%	11.0%	17.2%	6.5%	7.2%	6.9%	10.6%	0.5%	11.7%	8.3%	8.5%	12.5%
Net Mandatory Outlays (Mandatory Outlays - Receipts)	11.3%	10.8%	17.3%	6.6%	7.3%	6.9%	10.7%	0.5%	11.8%	8.3%	8.5%	12.6%
<b>Memorandum:</b>												
Number of Capitation Payments /6	13	11	12	12	12	12	13	11	12	12	12	13
Mandatory Outlays, adjusted for timing shifts (in billions of dollars) /7	\$329.1	\$375.7	\$449.8	\$475.3	\$510.8	\$547.4	\$586.0	\$629.8	\$682.1	\$741.6	\$807.7	\$879.9
Annual growth rate:	10.7%	14.2%	19.7%	5.7%	7.5%	7.2%	7.1%	7.5%	8.3%	8.7%	8.9%	8.9%

### Notes:

- 1/ Average annual rate of growth of mandatory outlays from fiscal year 2006 through 2016 is 9.2 percent. (It is 8.9 percent after adjusting for timing shifts; see note 7.)
- 2/ Offsetting receipts include premiums and amounts paid by the states.
- 3/ Average annual rate of growth of net mandatory outlays from fiscal year 2006 through 2016 is 9.0 percent. (It is 8.6 percent after adjusting for timing shifts; see note 7.)
- 4/ Includes spending for transitional assistance (the "drug card", which actually is Part B spending) in 2005 and 2006.
- 5/ Mandatory outlays for administration in all years support quality improvement organizations and certain activities against fraud and abuse. Those outlays include payment of Part B premiums for qualified individuals in 2005 and 2006, spending in 2005 and 2006 for implementation of the prescription drug benefit and the Medicare Advantage program, and payments to Medicaid for the cost of determining whether beneficiaries are eligible for the low-income subsidy under Part D.
- 6/ In general, capitation payments to group plans for the month of October are accelerated into the preceding fiscal year when October 1st falls on a weekend. However, the Balanced Budget Act of 1997 requires that the October payment in 2006 will be made on October 2 instead of September 29. CBO expects that capitation payments for Part D benefits will be paid on the same schedule.
- 7/ The adjustment removes the effect of the payment holiday enacted in the Deficit Reduction Act of 2005 (claims payable during September 22-30, 2006, will be paid in October 2006) and includes 12 capitation payments a year.

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By fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>COMPONENTS OF BENEFITS PAYMENTS (in billions of dollars):</b>												
<b>Part A: Hospital Insurance (HI)</b>												
Hospital Inpatient Care	\$122.1	\$126.8	\$136.6	\$141.1	\$149.2	\$157.7	\$166.8	\$177.1	\$189.0	\$201.9	\$215.5	\$230.1
Skilled Nursing Facilities	17.7	17.8	19.4	20.1	21.3	22.5	23.8	25.3	26.9	28.6	30.5	32.5
Hospice	8.4	9.3	10.6	11.3	12.1	12.9	13.8	14.7	15.7	16.7	17.8	19.1
<b>Part B: Supplementary Medical Insurance (SMI)</b>												
Physician Fee Schedule	57.3	60.3	62.8	61.9	62.5	62.9	63.6	65.1	69.9	77.4	86.1	95.8
Other Professional & Outpatient Ancillary Services /1	26.5	28.4	31.3	32.7	34.9	37.3	40.3	43.9	48.0	52.5	57.4	62.8
Other Facilities /2	16.7	17.9	19.3	20.0	21.4	22.9	24.4	26.0	27.8	29.8	31.9	34.2
Hospital Outpatient PPS Services	17.6	19.0	21.2	22.9	25.1	27.4	29.9	32.5	35.5	38.6	41.9	45.6
<b>Parts A &amp; B</b>												
Group Plans	50.9	53.0	67.4	73.6	79.1	85.1	101.4	91.8	107.8	114.7	123.8	145.7
Home Health Agencies	12.4	13.1	14.7	16.0	17.7	19.5	21.5	23.8	26.4	29.3	32.5	36.1
Reimbursements to States for DI Enrollees /3	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Part D: Prescription Drug Benefits</b>												
Payments to Prescription Drug Plans	0	16.7	38.3	51.7	60.7	69.9	84.2	79.4	97.0	110.6	124.8	153.6
Payments to Union/Employer-sponsored Plans	0	2.4	4.9	5.4	6.0	6.3	6.6	6.8	6.9	6.8	6.9	7.0
Low-income Subsidy Payments /4	1.1	9.9	14.6	16.9	19.0	21.0	25.7	24.0	29.4	32.8	36.6	44.9
<b>Total, Medicare Benefits</b>	<b>330.7</b>	<b>374.7</b>	<b>443.0</b>	<b>473.6</b>	<b>509.0</b>	<b>545.6</b>	<b>602.0</b>	<b>610.3</b>	<b>680.2</b>	<b>739.7</b>	<b>805.8</b>	<b>907.3</b>
Memorandum:												
Medicare Benefits, adjusted to remove effect of timing shifts /5	326.6	373.6	448.1	473.6	509.0	545.6	584.2	628.0	680.2	739.7	805.8	878.0

### Notes:

- 1/ Includes durable medical equipment, independent and physician in-office laboratory services, ambulance services, and other services paid by carriers.
- 2/ Includes hospital outpatient non-PPS services, laboratory services in hospital outpatient departments, rural health clinic services, outpatient dialysis, and other services paid by fiscal intermediaries. Also includes payments to skilled nursing facilities for services covered under Part B.
- 3/ Includes \$1.9 billion in 2007 for anticipated payments to reimburse state Medicaid programs that paid for services furnished to certain individuals who should have been enrolled in Medicare. Those individuals were enrolled in the Supplemental Security Insurance program and were not subsequently enrolled in the Social Security Disability Insurance (DI) program when they became eligible for it. Enrollees in the DI program become eligible for Medicare after a two-year waiting period.
- 4/ Includes spending for transitional assistance (the "drug card", which actually is Part B spending) in 2005 and 2006.
- 5/ The adjustment removes the effect of the payment holiday enacted in the Deficit Reduction Act of 2005 (claims payable during September 22-30, 2006, will be paid in October 2006) and includes 12 capitation payments a year.

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By fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>ANNUAL GROWTH RATES FOR COMPONENTS OF BENEFITS PAYMENTS</b>												
Hospital Inpatient Care	7.4%	3.9%	7.7%	3.3%	5.7%	5.7%	5.8%	6.2%	6.7%	6.8%	6.8%	6.8%
Skilled Nursing Facilities (Part A only)	9.8%	0.6%	8.9%	3.8%	5.8%	5.8%	5.9%	6.1%	6.3%	6.5%	6.5%	6.6%
Hospice	14.5%	10.5%	14.4%	6.4%	7.3%	6.8%	6.6%	6.7%	6.6%	6.7%	6.8%	6.9%
Physician Fee Schedule	10.1%	5.3%	4.2%	-1.6%	1.0%	0.8%	1.0%	2.4%	7.4%	10.8%	11.2%	11.2%
Other Professional & Outpatient Ancillary Services /1	6.4%	7.2%	9.9%	4.7%	6.7%	6.9%	7.9%	8.9%	9.3%	9.4%	9.4%	9.4%
Other Facilities /2	12.2%	7.0%	7.7%	3.8%	7.1%	6.7%	6.5%	6.5%	7.0%	7.2%	7.2%	7.1%
Hospital Outpatient PPS Services	16.3%	8.3%	11.5%	7.8%	9.7%	9.1%	9.2%	8.6%	9.3%	8.7%	8.7%	8.7%
Group Plans	27.9%	4.3%	27.1%	9.1%	7.6%	7.6%	19.1%	-9.5%	17.4%	6.4%	7.9%	17.7%
Home Health Agencies	10.4%	5.6%	12.2%	8.7%	10.8%	10.3%	10.2%	10.6%	10.8%	10.9%	11.0%	11.1%
<b>Subtotal, Medicare Part A and Part B Benefits</b>	<b>11.7%</b>	<b>4.9%</b>	<b>11.4%</b>	<b>3.7%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>8.3%</b>	<b>3.0%</b>	<b>9.4%</b>	<b>7.8%</b>	<b>8.1%</b>	<b>10.1%</b>
Prescription Drug Plans and Union/Employer-sponsored Plans	--- not applicable ---		125.1%	32.4%	16.8%	14.2%	19.1%	-5.1%	20.7%	12.9%	12.1%	22.0%
Low-income Subsidy /3	--- not applicable ---		47.9%	15.6%	12.1%	10.9%	22.0%	-6.4%	22.3%	11.6%	11.8%	22.6%
<b>Subtotal, Part D Benefits</b>	--- not applicable ---		98.8%	28.2%	15.7%	13.5%	19.7%	-5.4%	21.0%	12.6%	12.0%	22.1%
<b>Total, Medicare Benefits</b>	<b>12.0%</b>	<b>13.3%</b>	<b>18.2%</b>	<b>6.9%</b>	<b>7.5%</b>	<b>7.2%</b>	<b>10.3%</b>	<b>1.4%</b>	<b>11.5%</b>	<b>8.7%</b>	<b>8.9%</b>	<b>12.6%</b>
Memorandum:												
Medicare Benefits, adjusted to remove effect of timing shifts /4												
Part A and Part B Benefits	10.3%	9.0%	7.1%	5.1%	6.0%	5.9%	6.4%	6.6%	7.6%	7.8%	8.1%	8.2%
Total Medicare Benefits	10.6%	14.4%	19.9%	5.7%	7.5%	7.2%	7.1%	7.5%	8.3%	8.7%	8.9%	9.0%

### Notes:

- 1/ Includes durable medical equipment, independent and physician in-office laboratory services, ambulance services, and other services paid by carriers.
- 2/ Includes hospital outpatient non-PPS services, laboratory services in hospital outpatient departments, rural health clinic services, outpatient dialysis, and other services paid by fiscal intermediaries. Also includes payments to skilled nursing facilities for services covered under Part B.
- 3/ Includes spending for transitional assistance (the "drug card", which actually is Part B spending) in 2005 and 2006.
- 4/ The adjustment removes the effect of the payment holiday enacted in the Deficit Reduction Act of 2005 (claims payable during September 22-30, 2006, will be paid in October 2006) and includes 12 capitation payments a year.

## Fact Sheet for CBO's March 2006 Baseline: MEDICARE

By fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>COMPARISON OF MEDICARE SPENDING AND DEDICATED FUNDING (in billions of dollars)</b>												
Total Medicare Outlays	\$336.9	\$381.6	\$449.8	\$480.6	\$516.3	\$553.1	\$609.8	\$618.4	\$688.7	\$748.6	\$815.0	\$916.9
Dedicated Medicare Financing Sources /1												
Part A (HI)	178.8	189.9	201.5	213.5	225.8	237.8	250.2	263.1	275.8	289.2	303.1	318.0
Part B (SMI)	32.7	37.3	40.8	42.3	44.7	47.8	51.4	54.1	59.1	65.6	73.1	82.8
Part D	0.0	6.3	13.1	16.5	19.6	22.3	24.5	27.2	30.1	33.8	37.7	42.2
Subtotal, Dedicated Medicare Financing Sources	211.5	233.6	255.5	272.4	290.0	307.9	326.1	344.3	365.1	388.6	413.9	442.9
General Revenue Medicare Funding	125.4	148.0	194.3	208.2	226.3	245.3	283.7	274.1	323.6	360.0	401.1	474.0
General Revenue Medicare Funding (percent of total outlays)	37.2%	38.8%	43.2%	43.3%	43.8%	44.3%	46.5%	44.3%	47.0%	48.1%	49.2%	51.7%
Excess General Revenue Medicare Funding (in percent)	0%	0%	0%	0%	0%	0%	1.5%	0%	2.0%	3.1%	4.2%	6.7%
<b>STATUS OF HOSPITAL INSURANCE TRUST FUND (in billions of dollars):</b>												
HI Trust Fund Income												
Receipts (mostly payroll taxes)	\$181.8	\$192.7	\$204.6	\$216.7	\$229.1	\$241.2	\$253.9	\$266.9	\$279.9	\$293.4	\$307.6	\$322.7
Interest	15.1	17.4	18.0	18.7	19.3	19.9	20.4	20.6	20.7	20.3	19.5	18.1
Total Income	196.9	210.1	222.7	235.3	248.4	261.2	274.3	287.5	300.6	313.8	327.1	340.8
HI Trust Fund Outlays	184.2	191.5	213.9	222.4	236.2	250.8	271.7	280.4	304.5	325.2	348.1	379.1
HI Trust Fund Surplus (income minus outlays)	12.8	18.6	8.8	12.9	12.2	10.3	2.6	7.1	-4.0	-11.5	-21.0	-38.3
HI Trust Fund Balance (end of year)	277.7	296.3	305.1	318.0	330.2	340.5	343.1	350.2	346.3	334.8	313.7	275.4
<b>COMPONENTS OF HOSPITAL INPATIENT PAYMENTS (in billions of dollars):</b>												
Inpatient Operating and Capital-related Payments	\$122.1	\$126.8	\$136.6	\$141.1	\$149.2	\$157.7	\$166.8	\$177.1	\$189.0	\$201.9	\$215.5	\$230.1
Disproportionate Share /2	9.2	9.4	10.0	10.4	10.9	11.6	12.2	13.0	13.9	14.8	15.8	16.9
Indirect Medical Education /2,3	5.8	6.0	6.4	6.7	7.1	7.4	7.9	8.4	8.9	9.5	10.2	10.9
Graduate Medical Education /2,3	1.7	1.7	1.9	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.4
<b>PAYMENT UPDATES AND CHANGES IN PRICE INDEXES:</b>												
Part A: (fiscal year)												
PPS Market Basket Increase	3.3%	3.7%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
PPS Update Factor	3.3%	3.7%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Part B: (calendar year)												
Physician Medicare Economic Index (MEI)	3.1%	2.8%	2.4%	2.6%	2.4%	2.3%	2.2%	2.3%	2.2%	2.2%	2.2%	2.3%
CPI-U	3.4%	2.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

### Notes:

- 1/ Dedicated sources of revenue include Medicare payroll taxes, the Medicare share of taxes on certain Social Security benefits, Part D payments by states, and beneficiary premiums paid from nonfederal sources. However, dedicated revenues do not include premiums paid by the federal government--such as the federal share of Part A and Part B premiums paid by Medicaid, or Part D premiums paid by the low-income subsidy program.
- 2/ Included in inpatient operating and capital-related payments.
- 3/ Includes subsidies for medical education that are paid to hospitals that treat patients enrolled in Medicare Advantage plans.

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By fiscal year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>BENEFICIARY COST SHARING:</b>												
Deductible (calendar year, in dollars)												
Part A (per hospital admission)	\$912	\$952	\$972	\$1,012	\$1,052	\$1,096	\$1,140	\$1,188	\$1,240	\$1,288	\$1,344	\$1,400
Part B (per year)	110	124	135	138	143	148	157	157	168	178	189	205
Part D (per year)	not applicable	250	280	320	335	365	395	430	465	510	555	605
Monthly Premium (calendar year, in dollars)												
Part A (for voluntary enrollees) /1	\$375	\$393	\$445	\$459	\$477	\$496	\$523	\$525	\$552	\$572	\$594	\$617
Part B /2	78.20	88.50	93.40	93.40	96.40	100.30	105.20	106.50	113.70	120.50	128.60	139.40
Part D (on average) /3	not applicable	24.50	34.00	39.80	41.10	44.70	47.50	51.40	55.40	60.30	65.40	70.90
Offsetting Receipts (fiscal year, in billions of dollars)												
Part A Premiums	-\$2.3	-\$2.5	-\$2.7	-\$2.9	-\$3.0	-\$3.2	-\$3.3	-\$3.4	-\$3.6	-\$3.7	-\$3.9	-\$4.1
Part B Premiums /4	-35.9	-41.3	-45.5	-47.3	-50.0	-53.5	-57.5	-60.5	-66.1	-73.2	-81.5	-92.1
Part D Premiums /5	0	-2.5	-6.1	-8.8	-11.1	-13.1	-14.4	-16.3	-18.3	-20.9	-23.7	-26.7
Part D Payments by States	0	-3.8	-7.0	-7.7	-8.5	-9.2	-10.0	-10.9	-11.9	-12.9	-14.0	-15.5
Federal Share of Premiums Paid by Medicaid (fiscal year, in billions of dollars)												
Part A	\$1.2	\$1.3	\$1.5	\$1.7	\$1.8	\$1.9	\$2.1	\$2.2	\$2.4	\$2.5	\$2.7	\$2.9
Part B	<u>3.3</u>	<u>4.0</u>	<u>4.6</u>	<u>5.0</u>	<u>5.4</u>	<u>5.7</u>	<u>6.1</u>	<u>6.4</u>	<u>7.0</u>	<u>7.6</u>	<u>8.4</u>	<u>9.3</u>
Total	4.5	5.3	6.2	6.7	7.2	7.6	8.2	8.6	9.4	10.2	11.1	12.2
<b>ENROLLMENT:</b>												
Part A (average monthly enrollment during fiscal year, in millions)	41.5	42.1	42.8	43.6	44.4	45.3	46.2	47.5	48.9	50.3	51.7	53.1
Part B	39.5	40.0	40.7	41.4	42.1	42.9	43.8	45.0	46.3	47.6	48.9	50.2
Part D /6	not applicable	24.2	30.5	34.4	38.4	39.9	40.7	41.7	42.8	44.1	45.3	46.5
Part D Low-income Subsidy	not applicable	8.7	9.5	10.0	10.3	10.5	10.8	11.1	11.5	11.9	12.2	12.6
Part A Fee-for-service Enrollment	35.9	35.9	36.0	36.4	36.9	37.4	38.1	39.1	40.3	41.5	42.6	43.8
Group Plan Enrollment /7	5.6	6.2	6.8	7.2	7.5	7.8	8.1	8.4	8.6	8.8	9.0	9.3
Memo: Medicare+Choice or Medicare Advantage Enrollment	4.9	5.5	6.1	6.6	7.0	7.4	7.7	7.9	8.1	8.3	8.6	8.8
Share of Medicare Part A Enrollment:												
Fee-for-service	86.5%	85.3%	84.0%	83.4%	83.0%	82.7%	82.4%	82.4%	82.4%	82.5%	82.5%	82.5%
Group Plans /7	13.5%	14.7%	16.0%	16.6%	17.0%	17.3%	17.6%	17.6%	17.6%	17.5%	17.5%	17.5%
Growth in Enrollment:												
Total Medicare Enrollment (Part A)	1.4%	1.4%	1.7%	1.8%	1.8%	1.9%	2.2%	2.7%	2.9%	2.9%	2.8%	2.7%
Fee-for-service (Part A)	0.8%	0.0%	0.2%	1.1%	1.4%	1.4%	1.9%	2.6%	2.9%	2.9%	2.8%	2.8%
Group plans (Part A)	6.0%	10.9%	10.2%	5.8%	4.0%	4.1%	3.5%	2.9%	2.7%	2.7%	2.6%	2.5%

### Notes:

- 1/ Persons 65 and older are entitled to Part A coverage (they do not pay a monthly Part A premium) if they are eligible for Social Security or Railroad Retirement monthly cash benefits. Persons 65 and older who are not entitled may obtain Part A coverage by paying a monthly premium equal to the full actuarial cost of that coverage.
- 2/ Monthly premium for beneficiaries not subject to the income-related surcharge.
- 3/ The premium for prescription drug coverage will be based on the bid that each plan submits. Thus, premiums will vary across plans.
- 4/ Part B premium receipts include the income-related premium.
- 5/ Excludes premiums paid by the low-income subsidy program.
- 6/ Includes enrollees in qualified prescription drug plans and beneficiaries in qualified union-sponsored or employer-sponsored plans.
- 7/ Includes Medicare Advantage, cost contracts, and demonstration contracts covering Medicare Parts A and B. Does not include Health Care Prepayment Plans (HCPPs), which cover Part B services only. Does not reflect effect of use of stabilization funds on enrollment in regional preferred provider organizations.